



Ndwedwe Local Municipality
Annual financial statements
for the year ended 30 June 2017

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Councillors

Mayor and Councillors

NV Chili
EN Blose (Deputy Mayor)
GK Ngidi (Speaker)
MP Busane (Executive Committee Member)
ZS Thoolsi (Executive Committee Member, formerly a Party Representative)
SB Sibisi (Executive Committee Member)
RT Nkwanyana (Executive Committee Member)
PS Shezi (Executive Committee Member)
NDC Maphumulo (Ward Councillor)
RM Cele (Ward Councillor, formerly an Executive Committee Member)
MM Khuzwayo (Ward Councillor)
MN Gwamanda (Ward Councillor)
SE Dladla (Ward Councillor)
BJ Blose (Ward Councillor)
SZ Mfeka (Ward Councillor)
TM Masinga (Ward Councillor)
M Ngidi (Ward Councillor)
M Mthethwa (Ward Councillor)
LM Ndlovu (Ward Councillor)
MK Nkosi (Ward Councillor)
LG Ngcobo (Ward Councillor)
DM Qoqo (Ward Councillor)
VMR Magubane (Ward Councillor)
LZ Makhanya (Ward Councillor)
PS Goba (Ward Councillor)
S Zondi (Party Representative)
HLB Makatha (Party Representative)
T Mahlanga (Party Representative)
MV Shezi (Party Representative)
BR Mzobe (Party Representative)
SS Hlophe (Party Representative)
J Luthuli (Party Representative)
TS Jali (Party Representative)
NY Mlotshwa (Party Representative)
MB Vilakazi (Party Representative)
SM Sishi (Party Representative)
M Hadebe (Mayor)
MJ Zondi (Speaker)
VC Shangase (Executive Committee Member)
MI Tshaba (Executive Committee Member)
ML Sibiyi (Executive Committee Member)
B Nzama (Ward Councillor)
BM Ngcobo (Ward Councillor)
LM Ngcobo (Ward Councillor)
HJ Phakathi (Ward Councillor)
MM Zulu (Ward Councillor)
TF Dlamini (Ward Councillor)

Former Councillors (Term ended: August 2016)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Accounting Officers

Mr TP Cele
Municipal Manager (Appointed:
April 2017)

Chief Finance Officer (CFO)

Mr T Nkosi

Auditors

The Auditor General of South Africa

Bankers

ABSA Bank Verulam Branch

Registered office

Ndwedwe Local Municipality

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Business address

P100
Ndwedwe
4342

Postal address

P/Bag X 503
Ndwedwe
4342

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

As an Accounting Officer I am responsible for the preparation of these annual financial statements, which are set out on pages **s 6 to 48**, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr TP Cele
Accounting Officer

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	2	2,156,102	4,858,561
VAT receivable	3	3,498,206	3,585,539
Consumer debtors	4	4,305,789	2,802,971
Cash and cash equivalents	5	111,730,796	109,379,701
		121,690,893	120,626,772
Non-Current Assets			
Property, plant and equipment	6	242,605,368	217,885,103
Intangible assets	7	762,713	16,465
		243,368,081	217,901,568
Total Assets		365,058,974	338,528,340
Liabilities			
Current Liabilities			
Operating lease liability	8	-	9,419
Payables from exchange transactions	9	15,034,663	23,430,591
Unspent conditional grants and receipts	10	6,148,251	6,071,321
Provisions	11	311,130	60,291
		21,494,044	29,571,622
Non-Current Liabilities			
Provisions	11	1,091,347	1,142,384
Total Liabilities		22,585,391	30,714,006
Net Assets		342,473,583	307,814,334
Accumulated surplus		342,473,583	307,814,334

* See Note 26

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		564,904	317,263
Interest received (trading)		552,247	425,670
Other income		348,583	309,722
Interest received - investment		9,789,953	7,886,602
Total revenue from exchange transactions		11,255,687	8,939,257
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	13	9,041,297	9,289,039
Transfer revenue			
Government grants & subsidies	14	143,658,071	157,628,115
Total revenue from non-exchange transactions		152,699,368	166,917,154
Total revenue	12	163,955,055	175,856,411
Expenditure			
Employees related cost	16	(32,507,190)	(31,508,611)
Remuneration of councillors	17	(11,827,681)	(11,360,861)
Depreciation and amortisation	18	(15,742,569)	(15,474,097)
Impairment loss/ Reversal of impairments		(2,060,300)	(873,698)
Finance costs	20	(18,686)	(11,870)
Lease rentals on operating lease		(456,731)	(250,629)
Debt Impairment	19	(2,674,990)	(1,884,014)
Repairs and maintenance	35	(4,180,517)	(3,896,150)
Contracted services	21	(5,173,166)	(5,779,412)
General expenses	15	(54,851,427)	(32,663,178)
Decrease/(Increase) in the leave accrued		217,604	(849,921)
Total expenditure		(129,275,653)	(104,552,441)
Operating surplus		34,679,402	71,303,970
(Loss) gain on disposal of assets and liabilities		(20,151)	428,699
Surplus for the period		34,659,251	71,732,669

* See Note 26

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	270,984,917	270,984,917
Changes in net assets	(34,903,252)	(34,903,252)
Prior period error: Electrification costs	(34,903,252)	(34,903,252)
Net income (losses) recognised directly in net assets	71,732,669	71,732,669
Surplus for the year	36,829,417	36,829,417
Total recognised income and expenses for the year	36,829,417	36,829,417
Total changes	307,814,332	307,814,332
Restated* Balance at 01 July 2016		
Changes in net assets	34,659,251	34,659,251
Surplus for the year	34,659,251	34,659,251
Total changes	342,473,583	342,473,583
Balance at 30 June 2017		

* See Note 26

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Grants		143,735,000	149,153,403
Interest income		9,133,230	7,300,532
Other receipts		9,513,435	5,366,775
		<u>162,381,665</u>	<u>161,820,710</u>
Payments			
Employee costs		(44,582,524)	(42,879,148)
Suppliers		(72,139,822)	(40,519,330)
Finance costs		(18,686)	(11,870)
		<u>(116,741,032)</u>	<u>(83,410,348)</u>
Net cash flows from operating activities	22	<u>45,640,633</u>	<u>78,410,362</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(42,439,386)	(45,565,406)
Purchase of other intangible assets	7	(850,152)	-
Net cash flows from investing activities		<u>(43,289,538)</u>	<u>(45,565,406)</u>
Movement in finance lease payments			
Finance lease payments		-	(132,646)
Net increase/(decrease) in cash and cash equivalents		2,351,095	32,712,310
Cash and cash equivalents at the beginning of the year		109,379,701	76,667,391
Cash and cash equivalents at the end of the year	5	<u>111,730,796</u>	<u>109,379,701</u>

* See Note 26

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Rental of facilities and equipment	283,500	110,000	393,500	564,904	171,404	43.55%	1
Interest received (trading)	220,000	400,000	620,000	552,247	(67,753)	(10.93)%	2
Other income	363,600	40,000	403,600	348,583	(55,017)	(13.63)%	3
Interest received - investment	5,500,000	2,000,000	7,500,000	9,789,953	2,289,953	30.53%	4
Total revenue from exchange transactions	6,367,100	2,550,000	8,917,100	11,255,687	2,338,587		

Revenue from non-exchange transactions

Taxation revenue							
Property rates	9,836,562	-	9,836,562	9,041,297	(795,265)	(8.08)%	
Transfer revenue							
Government grants & subsidies	161,041,000	-	161,041,000	143,658,071	(17,382,929)	(10.79)%	
Total revenue from non-exchange transactions	170,877,562	-	170,877,562	152,699,368	(18,178,194)		
Total revenue	177,244,662	2,550,000	179,794,662	163,955,055	(15,839,607)	(8.81)%	

Expenditure

Personnel	(40,276,827)	7,864,554	(32,412,273)	(32,289,586)	122,687	0.38%	5
Remuneration of councillors	(11,053,948)	-	(11,053,948)	(11,827,681)	(773,733)	(7.00)%	6
Depreciation and amortisation	(16,000,000)	(2,000,000)	(18,000,000)	(17,823,020)	176,980	1.09%	
Debt Impairment	(3,000,000)	-	(3,000,000)	(2,674,990)	325,010	10.84%	
Repairs and maintenance	(10,260,000)	3,110,000	(7,150,000)	(4,180,517)	2,969,483	41.61%	7
Contracted Services	(6,600,000)	-	(6,600,000)	(5,173,166)	1,426,834	21.62%	8
General Expenses	(40,265,887)	(13,669,554)	(53,935,441)	(55,326,844)	(1,391,403)	(2.57)%	
Total expenditure	(127,456,662)	(4,695,000)	(132,151,662)	(129,295,804)	2,855,858		

Surplus before taxation 49,788,000 (2,145,000) 47,643,000 34,659,251 (12,983,749)

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement 49,788,000 (2,145,000) 47,643,000 34,659,251 (12,983,749)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Comments

- 1 Shared service money that was received, however, not budgeted for, from Ilembe District Municipality.
- 2 Data cleansing of debtors book, hence reduced interest charged on outstanding debtors.
- 3 Less tender documents were sold due to change in legislation which led to tender documents being uploaded to e-tender portal, which meant the municipality could no longer sell tender documents.
- 4 Fluctuations of interest rates, and low expenditure on conditional grants and other capital projects meant more money to be invested, and more income received through interest earned.
- 5 Vacant positions budgeted for but not filled during the year has led to savings on personnel expenditure..
- 6 The councillors subsistence and travel claims included under the remuneration of councillors has lead to increased spending over budget.
- 7 More repairs and maintenance have been performed internally since the municipality bought more plant to address this, hence the savings.
8. There were more savings on internal audit fees due to the auditors getting their requests timeously, and the mSCOA audit did not take as long as was originally anticipated.
- 9 The Original Budget reflected R79 071 000. The adjustment was R2 855 000. Total Adjustment Budget for the 2016-17 year was R81 926 000. Property, plant and equipment 2016 additions totalled R42 439 386 (refer to note 6) and Intangible asset additions totalled R850 152 (refer to note 7).

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Receivables from exchange transactions	3,885,000	10,373,000	14,258,000	2,156,102	(12,101,898)
VAT receivable	-	-	-	3,498,206	3,498,206
Consumer debtors	9,700,000	3,685,000	13,385,000	4,305,789	(9,079,211)
Cash and cash equivalents	84,616,000	152,683,000	237,299,000	111,730,796	(125,568,204)
	98,201,000	166,741,000	264,942,000	121,690,893	(143,251,107)

Non-Current Assets

Property, plant and equipment	223,395,000	249,729,000	473,124,000	242,605,368	(230,518,632)
Intangible assets	-	-	-	762,713	762,713
	223,395,000	249,729,000	473,124,000	243,368,081	(229,755,919)

Total Assets

	321,596,000	416,470,000	738,066,000	365,058,974	(373,007,026)
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Liabilities

Current Liabilities

Payables from exchange transactions	89,660,000	25,950,000	115,610,000	15,034,663	(100,575,337)
Unspent conditional grants and receipts	-	-	-	6,148,251	6,148,251
Provisions	959,000	20,303,000	21,262,000	311,130	(20,950,870)
	90,619,000	46,253,000	136,872,000	21,494,044	(115,377,956)

Non-Current Liabilities

Provisions	455,000	1,203,000	1,658,000	1,091,347	(566,653)
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Total Liabilities

	91,074,000	47,456,000	138,530,000	22,585,391	(115,944,609)
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Net Assets

	230,522,000	369,014,000	599,536,000	342,473,583	(257,062,417)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	230,522,000	369,014,000	599,536,000	342,473,583	(257,062,417)
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Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period/comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly. Where there has been a change in accounting policy in the correct year, the adjustment is made retrospectively as far as is practicable, and the prior year/comparatives are restated accordingly.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been adopted by the municipality:

GRAP 108 Statutory Receivables - Issued September 2013

-No significant impact is expected as this Standard is not yet effective to the municipality.

GRAP 109 Accounting By Principals and Agents - Issued July 2015

-Expected impact: Immediate.

GRAP 32 Service Concession arrangements - Issued August 2013

-No significant impact is expected as this Standard is not yet effective to the municipality.

GRAP 20 Related Party Disclosures - Issued June 2011 - Expected impact: Immediate

GRAP 34 Separate Financial Statements, GRAP 35 Consolidated Financial Statements, GRAP 36 Investments in Associates and Joint Ventures, and GRAP 37 Joint Arrangements - Issued March 2017, not yet effective. No significant impact is expected as this Standard is not yet effective to the municipality.

GRAP 38 Disclosure of Interests in Other Entities - Issued March 2017, not yet effective. No significant impact is expected as this Standard is not yet effective to the municipality.

GRAP 110 Living and Non-living resources - Issued March 2017, not yet effective. No significant impact is expected as this Standard is not yet effective to the municipality.

IGRAP 17 Service Concession Arrangements where a Grantor controls a significant residual interest in an asset - Issued August 2013, not yet effective. Expected impact: No significant impact is expected.

IGRAP 18 Interpretation of the Standard of GRAP on Recognition and Derecognition of Land - Issued on March 2017, not yet effective. Expected impact: Immediate for Property, Plant and Equipment.

iGRAP 19 Liabilities to pay levies - Issued on August 2017, not yet effective. Expected impact: Immediate for expenditure and payables.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent measurement - When the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure includes major parts that qualify as property, plant and equipment if the recognition criteria are met.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on the depreciable amount, using the straight line method over the estimated lives of the asset. The depreciation amount is determined after taking into account an asset's residual value, where applicable. Component of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the estimated average asset useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment (continued)

Motor vehicles	5-7 years
• Graders	15 years
• Trucks	7 years
Infrastructure	
• Roads	10 years
• Street lights	40 years
• Bridges	30 years
• Stormwater pipes	50 years
• Electricity	20 years
Community	
• Buildings	30 years
• Recreational Facilities	20-30 years
• Sportsfields	30 years
Other property, plant and equipment	
• Building Improvements	30 years
• Heavy and Mobile plant	10 years
• Furniture and fittings	7 years
• Bins and containers	15 years
• Parkhome	7 years
• Office equipment	3-5 years
• Other items of plant and equipment	5-7 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Intangible assets

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Financial instruments

Initial Recognition and Measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments. The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets. For financial instruments which are not fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The fair values of quoted investments are based on current bid prices. Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are reflected at amortised cost and are subsequently measured at amortised cost, using the effective interest rate method.

All other financial assets measured at amortised cost, or cost, are subject to an impairment review.

Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method.

The amount of the provision is the difference between the assets carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement. An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Trade and Other Payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Trade creditors and other payables are measured at fair value.

1.8 Taxation

Value Added Taxation

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Leases (continued)

Municipality as Lessor

Rental income from operating leases is recognised over the term of the relevant lease.

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.10 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the municipality estimates the recoverable service amount of the asset. Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Non-cash generating assets are assets other than cash generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation/amortisation. Recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of a non-cash generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. A reversal of an impairment loss for a non-cash generating asset is recognised immediately in surplus or deficit.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003): -

- (a) the Municipal Systems Act (Act No. 32 of 2000)
- (b) the Public Office Bearers Act (Act No. 20 of 1998) or
- (c) is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.14 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Capital commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources. Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases. Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

1.16 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably; and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Grant, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest revenue is recognised on a time proportion basis.

1.18 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.19 Employee benefits

Provident fund contribution

The municipality and its employees contribute to one provident fund that caters for the majority of the staff. The KZN Joint Municipal Provident Fund is a defined contribution fund. Additional information is disclosed in note 34.

Other employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Termination benefits are employee benefits payable as a result of either: an entity's decision to terminate an employee's employment before normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

1.20 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.21 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.21 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Post retirement benefits

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Where an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service: as a liability (accrued expense), after deducting any contribution paid or as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. Contributions are made to the KwaZulu-Natal Joint Municipality Provident Fund by the municipality. Members may choose to contribute at a rate of 5%, 7% or 9.25% of their pensionable emoluments. Participating employers contribute at a rate of 1.95 times of their members contribution.

Other key assumptions for provident fund obligations are based on current market conditions. Additional information is disclosed in Note 31.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
2. Receivables from exchange transactions		
Other Debtors	1,497,349	4,270,461
Distribution account -KDM	2,030	2,030
Accrued revenue	656,723	586,070
	2,156,102	4,858,561
Other debtors consist of:		
Sundry debtors	2,572,891	4,270,461
Provisions	(1,075,542)	-
	1,497,349	4,270,461
Other Debtors of R2 572 891 includes salary overpayments, supplier overpayments and rental debtors . The Municipality has handed the debtors over to appointed attorneys regarding recoverability and collection. The municipality has raised a provision for doubtful debts against Other Debtor amounts.		
3. VAT receivable		
VAT	3,498,206	10,228,029
Prior period error	-	(6,642,490)
	3,498,206	3,585,539
VAT is payable on the payment basis. VAT is paid over to SARS only once payments is received from debtors. The prior period error arose due to the municipality (agent) which claimed VAT on electrification.		
4. Consumer debtors		
Gross balances		
Rates	11,170,093	8,067,827
Less: Allowance for impairment		
Rates	(6,864,304)	(5,264,856)
Net balance		
Rates	4,305,789	2,802,971
Rates		
Current (0 -30 days)	356,625	380,278
31 - 60 days	124,362	91,863
61 - 90 days	95,101	77,940
91 - 120 days	103,844	78,677
121 - 365 days	246,762	464,669
> 365 days	3,379,095	1,709,544
	4,305,789	2,802,971

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
4. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers	43,316	36,087
Current (0 -30 days)	49,576	38,592
31 - 60 days	46,435	35,492
61 - 90 days	46,212	35,320
91 - 120 days	137,112	104,332
121 - 365 days	1,662,457	988,642
> 365 days	1,985,108	1,238,465
Industrial/ commercial	249,271	292,911
Current (0 -30 days)	226,218	237,755
31 - 60 days	205,980	225,782
61 - 90 days	217,101	224,377
91 - 120 days	572,034	461,948
121 - 365 days	4,377,206	3,351,876
> 365 days	5,847,810	4,794,649
National and provincial government	64,038	51,279
Current (0 -30 days)	84,740	88,688
31 - 60 days	63,221	50,986
61 - 90 days	56,784	49,901
91 - 120 days	174,508	127,928
121 - 365 days	2,893,872	1,665,931
> 365 days	3,337,163	2,034,713
Total	356,625	380,278
Current (0 -30 days)	360,544	365,035
31 - 60 days	315,636	312,261
61 - 90 days	320,097	309,599
91 - 120 days	883,655	694,207
121 - 365 days	8,933,537	6,006,447
> 365 days	11,170,094	8,067,827
Less: Allowance for impairment	(6,864,305)	(5,264,856)
	4,305,789	2,802,971
Less: Allowance for impairment	(236,182)	(273,171)
31 - 60 days	(220,535)	(234,321)
61 - 90 days	(216,253)	(230,922)
91 - 120 days	(636,893)	(229,538)
121 - 365 days	(5,554,441)	(4,296,904)
> 365 days	(6,864,304)	(5,264,856)
Reconciliation of allowance for impairment	(5,264,856)	(3,380,842)
Balance at beginning of the year	(1,599,448)	(1,884,014)
Contributions to allowance	(6,864,304)	(5,264,856)

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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4. Consumer debtors (continued)

Credit quality of consumer debtors

The municipality profiled all debtors according to their risk profile. The risk profile was then used to calculate the doubtful debts provision.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,000	1,000
Bank balances	3,121,135	2,637,265
Short-term deposits	108,608,661	106,741,436
	111,730,796	109,379,701

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA Bank Fixed Deposit Account 2073633680	6,287,631	5,897,772	6,287,631	5,897,772
ABSA Bank Fixed Deposit Account 2068130142	5,999,646	5,630,349	5,999,646	5,630,349
ABSA Bank Cheque Account 4079294191	1,098,539	1,067,882	(2,332,531)	970,571
ABSA Bank Fixed Deposit Account 2075383437	5,622,088	5,276,030	5,622,088	5,276,030
ABSA Bank Short-term Call Account 9123945833	58,549	1,018,893	58,549	1,018,893
Cash on hand	1,000	1,000	1,000	1,000
FNB Call Account 62087920635	2,057,380	4,465,438	2,058,380	4,465,438
FNB Cheque Account 62027922930	5,455,037	1,671,069	5,453,666	1,666,699
FNB Fixed Deposit Account 74305967356	8,851,994	8,218,394	8,850,992	8,218,394
FNB Fixed Deposit Account 74398842432	7,722,423	7,169,290	7,722,423	7,169,290
FNB Fixed Deposit Account 74549519434	-	130,010	-	130,010
Investec Call Account 1100463139502	7,231,686	10,545,852	7,231,686	10,545,852
Investec Fixed Deposit Account 1100463139450	-	6,801,213	-	6,801,213
Investec Fixed Deposit Account 1100463139453	5,699,510	5,331,011	5,699,510	5,331,011
Investec Fixed Deposit Account 1100463139452	10,688,328	-	10,688,328	-
Investec Fixed Deposit Account 1100463139454	5,755,438	5,282,074	5,755,438	5,282,074
Investec Fixed Deposit Account 1100463139455	7,122,923	3,596,105	7,122,923	3,596,105
Ithala Call Account 17621154	4,028,018	3,822,441	4,028,018	3,822,441
Ithala Fixed Deposit Account 17621146	2,443,656	2,265,608	2,443,656	2,265,608
Ithala Fixed Deposit Account 17651276	5,667,003	5,254,099	5,667,003	5,254,099
Ithala Fixed Deposit Account 17651945	5,555,292	5,253,431	5,555,292	5,253,431
Ithala Fixed Deposit Account 17656341	4,264,897	6,779,838	4,264,897	6,779,838
Standard Bank Call Account 058681019001	4,512,782	5,590,124	4,512,782	5,590,124
Standard Bank Call Account 058681019011	3,380,623	3,166,853	3,380,623	3,166,853
Standard Bank Call Account 058681019017	5,658,796	5,246,606	5,658,796	5,246,606
Total	115,163,239	109,481,382	111,730,796	109,379,701

Ndwedwe Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2017		2016	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Buildings	15,849,072	(4,716,783)	11,132,289	13,988,466
Motor vehicles	14,672,357	(3,328,510)	11,343,847	9,051,809
Infrastructure	180,570,498	(51,090,823)	129,479,675	159,559,529
Community	105,551,809	(25,575,643)	79,976,166	94,743,914
Other property, plant and equipment	18,301,017	(7,627,626)	10,673,391	15,212,939
Total	334,944,753	(92,339,385)	242,605,368	292,556,657
			(74,671,554)	217,885,103

Ndwedwe Local Municipality
Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Work-In-Progress (Additions)	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	9,847,791	-	1,860,606	-	-	(576,108)	-	11,132,289
Motor vehicles	7,103,190	5,620,548	-	-	-	(1,379,891)	-	11,343,847
Infrastructure	117,837,246	-	21,010,969	-	-	(8,870,603)	(497,937)	129,479,675
Community	74,212,599	-	10,859,179	(20,151)	-	(3,516,547)	(1,558,914)	79,976,166
Other property, plant and equipment	8,884,277	3,088,084	-	-	-	(1,295,521)	(3,449)	10,673,391
	217,885,103	8,708,632	33,730,754	(20,151)	-	(15,638,670)	(2,060,300)	242,605,368

Reconciliation of property, plant and equipment - 2016

	Opening balance	Prior Period Error	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Buildings	10,631,451	-	-	-	-	(638,265)	(145,395)	9,847,791
Motor vehicles	6,976,737	-	2,134,151	(641,679)	-	(1,366,019)	-	7,103,190
Infrastructure	64,973,023	-	-	-	21,779,033	(8,964,472)	(371,461)	77,416,123
Community	52,498,259	-	-	(30,478)	3,913,273	(3,283,218)	(351,020)	52,746,816
Other property, plant and equipment	9,432,530	-	689,097	(17,653)	-	(1,213,876)	(5,821)	8,884,277
Work in Progress	75,216,891	(30,379,837)	42,742,158	-	(25,692,306)	-	-	61,886,906
	219,728,891	(30,379,837)	45,565,406	(689,810)	-	(15,465,850)	(873,697)	217,885,103

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	40,421,123	21,465,783	-	61,886,906
Additions/capital expenditure	21,010,969	10,859,179	1,860,606	33,730,754
Transferred to completed items	(14,163,396)	(13,438,825)	-	(27,602,221)
	47,268,696	18,886,137	1,860,606	68,015,439

Ndwedwe Local Municipality

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6. Property, plant and equipment (continued)

The reasons for delays in certain projects reflected within work-in-progress, is due to funding received in phases. A forensic investigation has also been performed which related to a community asset. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,079,225	(316,512)	762,713	229,073	(212,608)	16,465

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	16,465	850,152	-	(103,904)	762,713

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	24,712	(8,247)	16,465

8. Operating lease liability

Current liabilities	-	(9,419)
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9. Payables from exchange transactions

Trade payables	5,629,846	9,769,480
Retentions	5,742,825	7,109,243
Income received in advance	313,044	47,738
Accrued leave	2,956,739	3,111,194
Salary (13th Cheque)	388,411	1,007,481
Payable - COGTA Massification	3,798	1,924,171
Payable - INEP	-	461,284
	15,034,663	23,430,591

The fair value of trade and other payables approximates their carrying amounts.

Ndwedwe Local Municipality

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10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	4,402,802	-
Municipal Infrastructure Grant (MIG)	-	885,967
Neighbourhood Development Partnership Grant (NDPG)	97,097	97,097
Kwaloshe Tourism Project grant	8,673	88,257
KZN Sports & Recreation grant	1,639,679	5,000,000
Small Town Rehabilitation Grant	6,148,251	6,071,321

Movement during the year

Balance at the beginning of the year	6,071,321	14,546,034
Additions during the year	44,332,000	53,149,000
Funds returned	(9,305,967)	(14,306,871)
Income recognition during the year	(34,949,103)	(47,316,842)
	6,148,251	6,071,321

Grant register 2016/ 2017

	Opening Balance	Received	Funds returned	Expenditure	Balance
Local Government Financial Management Grant (FMG)	-	1,825,000	-	(1,825,000)	-
KZN Sports & Recreation	88,257	-	-	(79,585)	8,672
Library Computer Assistant	-	1,265,000	-	(1,265,000)	-
KwaLoshe Tourism	97,097	-	-	-	97,097
Municipal Infrastructure Grant (MIG)	-	28,451,000	(4,500,000)	(19,548,198)	4,402,802
Neighbourhood Development Partnership Grant (NDPG)	885,967	11,000,000	(4,805,967)	(7,080,000)	-
Small Town Rehabilitation	5,000,000	-	-	(3,360,321)	1,639,679
Expanded Public Works Programme Integrated Grant	-	1,791,000	-	(1,791,000)	-
	6,071,321	44,332,000	(9,305,967)	(34,949,104)	6,148,250

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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Figures in Rand	2017	2016
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11. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Current portion	Total
Long-service awards	1,142,384	483,060	(222,967)	(311,130)	1,091,347
Long-service awards (short-term)	60,291	-	(60,291)	311,130	311,130
	1,202,675	483,060	(283,258)	-	1,402,477

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Current portion	Total
Long service awards	925,715	276,419	(32,901)	(26,849)	1,142,384
Long-service awards (short-term)	33,442	-	-	26,849	60,291
	959,157	276,419	(32,901)	-	1,202,675
Non-current liabilities				1,091,347	1,142,384
Current liabilities				311,130	60,291
				1,402,477	1,202,675

12. Revenue

Rental of facilities and equipment	564,904	317,263
Interest received (trading)	552,247	425,670
Other income	348,583	309,722
Interest received - investment	9,789,953	7,886,602
Property rates	9,041,297	9,289,039
Government grants & subsidies	143,658,071	157,628,115
	163,955,055	175,856,411

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	564,904	317,263
Interest received (trading)	552,247	425,670
Other income	348,583	309,722
Interest received - investment	9,789,953	7,886,602
	11,255,687	8,939,257

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue	9,041,297	9,289,039
Property rates		
Transfer revenue	143,658,071	157,628,115
Government grants & subsidies	152,699,368	166,917,154

Ndwedwe Local Municipality

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Figures in Rand	2017	2016
13. Property rates		
Rates received		
Property rates	11,875,874	11,975,454
Less: Income forgone	(2,834,577)	(2,686,415)
	9,041,297	9,289,039
Valuations		
Residential	18,598,000	14,348,000
Commercial	21,995,000	4,995,000
State	642,692,000	543,527,000
Agriculture	691,179,000	577,553,000
Institutional	1,015,000	1,015,000
Special Purposes	2,265,000	2,265,000
Agriculture (Residential/Commercial)	7,844,000	8,249,000
Industrial	1,875,000	1,875,000
Place of worship	2,835,000	2,835,000
Municipal	20,951,000	20,951,000
Public Service Infrastructure	193,000	193,000
	1,411,442,000	1,177,806,000

The municipal valuations and property rates were implemented with effect 1 July 2009 in terms of Municipal Rates Act.

Valuations on land and buildings are valid for four years.

The first valuation roll came into effect on 1 July 2009.

A new valuation roll was implemented on 1 July 2014

Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidations, subdivisions and new township development. Various rates in the Rand were applied in accordance with categories determined in terms of the Municipal Property Rates Act.

Rebates applicable were applied in line with the municipal property rates policy. Rebates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and approved tariffs.

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

	2017	2016
Figures in Rand		
14. Government grants and subsidies		
Operating grants	108,708,967	110,311,274
Equitable share	108,708,967	110,311,274
Capital and Other Grants	79,585	53,808
KZN Sports & Recreation	19,548,198	28,907,000
Municipal Infrastructure Grant (MIG)	7,080,000	13,724,033
Neighbourhood Development Partnership Grant (NDPG)	-	930,000
Municipal Systems Improvement Grant (MSIG)	1,265,000	744,000
Library Computer Assistant	1,791,000	1,158,000
Expanded Public Works Programme Integrated Grant (EPWP)	1,825,000	1,800,000
Department of Finance: National Treasury (FMG)	3,360,321	-
Small Town Rehabilitation Grant	34,949,104	47,316,841
	143,658,071	157,628,115

Equitable Share

In terms of the Constitution, this grant is used for the operations of the municipality and to subsidise the provision of basic services to indigent community members.

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
15. General expenses		
Advertising	550,998	267,003
Bank charges	153,258	146,834
Cleaning	263,619	220,595
Consulting and professional fees	8,886,492	2,299,989
Entertainment	3,402,834	2,272,312
Insurance	761,973	554,313
Community development and training	-	6,200
Conferences and seminars	4,575,313	2,580,870
Marketing	827,134	520,425
Council Industrial	7,964	7,271
Magazines, books and periodicals	12,819	21,376
Medical expenses	8,076	570
Motor vehicle expenses	251,472	104,840
Fuel and oil	1,760,044	1,672,064
Postage and courier	25,710	23,959
Printing and stationery	729,295	897,917
Council committee	376,789	177,562
Project: Electrification cost	6,393,258	3,515,169
Software expenses	1,830,728	1,800,405
Staff welfare	280,162	649,470
Subscriptions and membership fees	524,372	533,822
Telephone and fax	1,495,693	1,332,330
Indigent Burial	836,700	591,600
Training	860,864	1,795,636
Travel - local	11,998,685	4,639,434
Refuse	628,239	627,363
Assets expensed	26,463	9,017
Electricity	1,569,253	701,997
Uniforms	788,129	401,962
Tourism development	1,270,559	1,115,735
Skills Development	351,461	319,111
IDP Programme	616,790	573,540
Social Responsibility	149,812	55,720
National Calendar	136,811	206,153
Sport, Arts and Recreation	1,503,018	1,445,092
Property rates	299,830	170,000
Occupational Health	696,810	405,522
	54,851,427	32,663,178

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
16. Employee related costs		
Basic	23,533,213	23,225,165
Medical aid - company contributions	1,570,892	1,310,171
UIF	164,805	149,213
Pension Funds	3,014,090	2,742,326
Subsistence and travel	492,859	386,205
Overtime payments	907,908	528,100
Long-service awards	260,093	276,419
Travel, Motor car and other allowances	1,253,880	1,429,252
Housing benefits and allowances	187,128	170,260
Municipal Ward Committees	1,122,322	1,291,500
	32,507,190	31,508,611

Remuneration of Municipal Manager- TP Cele

Annual Remuneration	177,647	-
Car Allowance	59,216	-
Contributions to UIF, Medical and Pension Funds	444	-
	237,307	-

The municipal manager was appointed from 01 April 2017.

Remuneration of Municipal Manager - T Cibane

Annual Remuneration	348,769	820,438
Car Allowance	104,631	251,114
Contributions to UIF, Medical and Pension Funds	643	1,785
Leave pay	381,693	-
Other	-	16,608
	835,736	1,089,945

The former municipal manager's contract ended on 30 November 2016.

Remuneration of Chief Finance Officer - TM Nkosi

Annual Remuneration	683,198	672,317
Car Allowance	205,353	206,313
Contributions to UIF, Medical and Pension Funds	36,081	31,924
Other	-	14,079
	924,632	924,633

Remuneration of Director EDP - PN Mhlongo

Annual Remuneration	660,344	647,241
Car Allowance	198,103	198,103
Acting Allowance	29,018	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Other	-	13,012
	889,250	860,141

Mr PN Mhlongo was Acting Municipal Manager from 01 December 2016 to 31 March 2017.

Remuneration of Director Corporate Services - Dr MG Ntuli

Annual Remuneration	40,236	-
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Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
16. Employee related costs (continued)		
Car Allowance	14,586	-
Contributions to UIF, Medical and Pension Funds	149	-
	54,971	-

The Director Corporate Services has been appointed from 05 June 2017.

Director Technical - Mzwakhe Dlamini

Remuneration	29,258	651,918
Car Allowance	8,795	199,879
Performance Bonuses	34,577	-
Contributions to UIF, Medical and Pension Funds	2,865	33,529
	75,495	885,326

The Director Technical resigned in July 2016.

17. Remuneration of councillors

Mayor: NV Chili

Salary	614,790	-
Telephone allowance	19,370	-
Medical aid	22,110	-
	656,270	-

Mayor: M Hadebe (Term ended: August 2016)

Salary	66,116	459,912
Travel	-	133,081
Telephone allowance	2,240	20,868
Backpay	-	15,342
Pension	7,362	68,987
Medical aid	2,704	31,594
	78,422	729,784

Deputy mayor: EN Blose

Salary	260,284	250,463
Telephone allowance	21,512	20,868
Backpay	-	12,127
Pension	39,043	37,570
Medical aid	14,620	10,817
	335,459	331,845

Speaker: GK Ngidi

Salaries	509,517	-
Travel	19,370	-
	528,887	-

Speaker: M Zondi (Term ended: August 2016)

Ndwedwe Local Municipality

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Figures in Rand	2017	2016
17. Remuneration of councillors (continued)		
Salary	50,835	433,814
Telephone allowance	2,240	20,868
Backpay	-	14,560
Pension	5,581	65,073
Medical aid	4,530	51,659
	63,186	585,974
Executive Committee Members and Other Councillors		
Salaries	7,207,715	6,129,707
Travel	142,104	466,968
Telephone allowance	731,311	706,897
Backpay	199,963	284,448
Pension	358,663	675,581
Medical aid	86,544	140,514
Subsistence and travel	1,439,157	1,309,143
	10,165,457	9,713,258
18. Depreciation and amortisation		
Property, plant and equipment	15,638,665	15,465,850
Intangible assets	103,904	8,247
	15,742,569	15,474,097
19. Debt impairment		
Contributions to debt impairment provision	2,674,990	1,884,014
20. Finance costs		
Interest	18,686	11,870
21. Contracted services		
Audit fees	2,170,566	3,073,182
Mayoral VIP services	3,002,600	2,706,230
	5,173,166	5,779,412

Ndwedwe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
22. Cash generated from operations		
Surplus	34,659,251	71,732,669
Adjustments for:		
Depreciation and amortisation	15,742,569	15,474,097
Gain (loss) on sale of assets and liabilities	20,151	(428,699)
Impairment deficit	2,060,300	873,698
Debt impairment	2,674,990	1,884,014
Movements in operating lease assets and accruals	9,419	(191,441)
Movements in provisions	199,802	243,518
Interest accrued	(656,723)	(586,070)
Changes in working capital:		
Receivables from exchange transactions	2,702,459	(1,851,160)
Consumer debtors	(3,102,266)	(3,114,083)
Payables from exchange transactions	(8,834,737)	7,940,347
VAT	88,488	(716,822)
Unspent conditional grants and receipts	76,930	(12,849,706)
	45,640,633	78,410,362
23. Commitments		
Authorised expenditure		
Already approved and contracted for		
• Property, plant and equipment	32,061,889	40,454,566
• General expenditure	9,345,661	-
	41,407,550	40,454,566
The expenditure will be financed from:		
• Municipal Infrastructure Grant	21,959,296	6,608,438
• National Development Planning Grant	-	918,871
• Integrated National Electrification Programme (Municipal) Grant	2,415,082	20,465,309
• Department of Co-operative Governance & Traditional Affairs	-	2,451,327
• Equitable share/Internal funding	17,033,172	10,010,621
	41,407,550	40,454,566
Total commitments		
Already contracted for but not provided for	41,407,550	40,454,566
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	4,505	54,075
- in second to fifth year inclusive	751	5,256
	5,256	59,331
Operating lease payments represent rentals payable by the municipality for certain of its office photocopiers. Leases are negotiated for an average term of four to five years. No contingent rent is payable.		
24. Related parties		
Related party balances		
Loan accounts - Owing (to) by related parties		
KDM	2,030	2,030

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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25. Taxation

Municipalities are exempt from paying tax in terms of section 10(1)(a) of the Income Tax Act

26. Prior period errors

The following adjustments were made to amounts previously reported in the annual financial statements

The 2016 restatement to employee costs, remuneration of councillors from general expenses is due to the re-classification of subsistence and travel amounts and municipal ward committee remuneration.

The 2016 comparative year and prior years have been adjusted for the electrification costs which were previously reflected within capital work-in-progress. The municipality is an agent in the Ndwedwe area and has received funding through National Treasury (INEP) and CoGTA, for electrification, which will be handed over to Eskom.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

	Previously reported	Adjustment	Restated balance
Property, plant & equipment: Work-in-progress (Electrification)	106,358,409	(44,471,503)	61,886,906
Retention	(6,064,677)	(1,044,566)	(7,109,243)
VAT	10,228,029	(6,642,490)	3,585,539
Payable (INEP)	-	(461,284)	(461,284)
Payable (Massification)	-	(1,924,171)	(1,924,171)
Unspent conditional grants (INEP)	(461,284)	461,284	-
Unspent conditional grants (Massification)	(1,924,171)	1,924,171	-
Accumulated surplus	(359,972,891)	34,903,254	(325,069,637)

Statement of financial performance

	Previously reported	Adjustment	Restated balance
Government grants & subsidies (INEP)	8,538,716	(8,538,716)	-
Government grants & subsidies (Massification)	5,201,419	(5,201,419)	-
Employee costs	29,830,906	1,677,705	31,508,611
General Expenses	32,134,856	528,322	32,663,178
Remuneration of councillors	10,051,718	1,309,143	11,360,861

Property, plant & equipment: Work-in-progress (Electrification)

Correction of prior period error: Payable: CoGTA	-	(4,105,450)
Correction of prior period error: Payable: INEP	-	(6,902,735)
Correction of prior period error: Project: Electrification cost	-	(3,083,482)
Correction of prior period error: Accumulated surplus	-	(30,379,836)
	-	(44,471,503)

Electrification cost expensed and deducted directly against the payables.

Retention

Correction of prior period error: Payable: INEP	-	(587,368)
Correction of prior period error: Payable (CoGTA Massification)	-	(457,198)
	-	(1,044,566)

Retention incorrectly raised.

Ndwedwe Local Municipality

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26. Prior period errors (continued)

VAT	
Correction of prior period error: Payable: INEP	- (1,048,614)
Correction of prior period error: Payable: CoGTA	- (638,771)
Correction of prior period error: Project: Electrification cost	- (431,687)
Correction of prior period error: Accumulated surplus	- (4,523,418)
	<u>- (6,642,490)</u>

Input tax incorrectly claimed by the municipality acting as an agent.

Unspent conditional grants	
Correction of prior period error: Payable: INEP	- 461,284
Correction of prior period error: Payable: CoGTA Massification	- 1,924,171
	<u>- 2,385,455</u>

Unspent conditional grants raised incorrectly treated. The municipality is acting as an agent, hence the reversal of the grants and the treatment as payables.

Payables	
Correction of prior period error: Unspent conditional grant (INEP)	- (461,284)
Correction of prior period error: Unspent conditional grant (CoGTA Massification)	- (1,924,171)
	<u>- (2,385,455)</u>

The municipality is acting as an agent, hence the reversal of the grants and the treatment as payables.

Government grants & subsidies	
Correction of prior period error - Income (INEP)	- (8,538,716)
Correction of prior period error - Income (CoGTA Massification)	- (5,201,419)
	<u>- (13,740,135)</u>

Correction of errors - Reversal of income as the municipality is acting as an agent.

Remuneration of councillors	
Correction of prior period errors - General expenses (Subsistence & travel)	- 1,309,143

Re-classification from General expenses to Remuneration of councillors (Subsistence & travel claims).

Employee costs	
Correction of prior period error - General expenses (Subsistence & travel)	- 386,204
Correction of prior period error - General expenses (Municipal ward committees)	- 1,291,500
	<u>- 1,677,704</u>

Re-classification from General expenses to Employee costs (Municipal ward committee salaries and Subsistence & travel claims).

Ndwedwe Local Municipality

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26. Prior period errors (continued)

General Expenses	-	(1,309,143)
Correction of prior period error - Remuneration of councillors (Subsistence & travel)	-	3,515,169
Correction of prior period error - Project: Electricity cost	-	(386,204)
Correction of prior period error - Employee cost (Subsistence & travel)	-	(1,291,500)
Correction of prior period error - Employee cost (Municipal ward committees)	-	528,322

Re-classification from General Expenses to Employee Cost and Remuneration of Councillors. Re-classification of expenditure from work-in-progress, incurred for electrification.

27. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 342,473,583 and that the municipality's total assets exceed its liabilities by R 342,473,583.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

28. Fruitless and wasteful expenditure

Opening balance	1,321,000	1,235,517
Litigation award	-	49,065
Interest	18,686	6,418
Employee debt	-	30,000
Consultant and contractor payments	2,268,676	-
	3,608,362	1,321,000

Consultant and contractor payments arising from an investigation. Matters are being investigated by MPAC.

Matters are being investigated by MPAC.

29. Unauthorised expenditure

Opening balance	7,271,267	5,393,602
Depreciation and amortisation	-	1,002,097
Impairment loss/ reversal of impairments	-	873,698
Finance cost	-	1,870
	7,271,267	7,271,267

30. Irregular expenditure

Opening balance	33,819,245	26,192,072
Add: Irregular Expenditure - current year	17,920,225	7,627,173
	51,739,470	33,819,245

Summary of cases for 2016/2017

SCM related cases	Number of cases
	7

Ndwedwe Local Municipality

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30. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Details	
SCM Regulation Paragraph 12(1)(d)(i) of Government Gazette No. 27636	Non-compliance with Supply Chain Management Regulations Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 which states that through a supply chain management policy, the municipality must provide for a competitive bidding process.	6,512,004
Preferential Procurement Regulations (PPR) 9(1)	Non-compliance with Preferential Procurement Regulations 9(1) An organ of state must, in the case of designated sectors, where in the award of tenders local production and content is of critical importance, advertise such tenders with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.	96,885
SCM Regulation Paragraph 32 (1) of Government Gazette No. 27636	Non-compliance with Supply Chain Management Regulations Paragraph 32 (1)(c) of Government Gazette No. 27636 issued on 30 May 2005. There must be demonstrable discounts or benefits associated when using a service provider appointed by another organ of state.	10,273,481
Section 78 (b) and (c) of the MFMA and Schedule 2 of the MSA	Non-compliance to ensure that financial resources are utilised effectively, efficiently, economically and transparently and to prevent irregular expenditure and contravention of Schedule 2 of the Municipal Systems Act 32 of 2000.	1,037,855
		17,920,225

31. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
	-	-

Audit fees

Current year subscription / fee (Internal audit)	1,079,064	1,875,991
Current year subscription / fee (External audit)	1,091,502	1,197,191
Amount paid - current year	(2,170,566)	(3,048,372)
	-	24,810

PAYE and UIF

Current year subscription / fee	5,975,836	5,397,979
Amount paid - current year	(5,975,836)	(5,397,979)
	-	-

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31. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	7,437,159	5,080,205
Amount paid - current year	(7,437,159)	(5,080,205)
	-	-

VAT

VAT receivable	3,498,206	3,585,539
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VAT output payables and VAT input receivables are shown in note 3.

All VAT returns have been submitted by the due date throughout the year.

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32. Employee benefit obligations

Defined benefit plan

The Council provides retirement benefits to employees by contributing to a provident fund. Membership of the provident fund is compulsory for all permanent employees. The personnel are members of the following provident funds:

Kwazulu-Natal Joint Municipality Provident Fund

Interim Actuarial valuation as at 31 March 2016

Results of the valuation

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R20 196 000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the liabilities by R359 015 000 at the valuation date. At the previous valuation date there was a surplus. The Fund is financially sound as at the valuation date.

Benefits

Pension age	65 years
Earliest retirement age	58 years

Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.

Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses.

Benefit on retirement after earliest retirement age or pension age - Full benefit.

Benefit on retirement because of ill health - Full benefit.

Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

Contributions

- : Members may choose to contribute at a rate of 5%, 7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)
- : Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b)
- : Of the contribution by the Employer, 3.75% of pensionable emoluments is applied to meeting cost of the risk benefits and expenses

Asset allocation

Domestic Investments	2,426,410,000
International Investments	702,054,000
Risk Reserve Account	20,196,000
Unallocated Assets (deficit)	152,765,000
Membership	13,117

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Long Service Award Liability

Introduction

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Key Financial Assumptions

The summary of the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

Assumptions	Value p.a.
Discount rate	8.52%
General Salary Inflation (long-term)	6.34%
Net effective discount rate	2.05%

The salaries used in the valuation include an assumed increase on 1 July 2017 of 7.36% as per the SALGBC Circular No.: 2/2017. The next salary increase was assumed to take place on 1 July 2018.

Key demographic Assumptions

The summary of the key demographic assumptions used.

Assumptions	Value	
Average retirement age	60	
Mortality during employment	SA 85-90	
Withdrawal from service (sample annual rates)	Age	Rate
		Female
	20	24%
	30	18%
	40	10%
	50	4%
	55	2%
		Male
		16%
		12%
		8%
		4%
		2%

Result

Introduction

The results presented in this report focus on the Accrued Liability, as described in Section 4.2. This section contains a summary of the results.

Accrued Liability

The summary of the Unfunded Accrued Liability as at 30 June 2017.

Unfunded Accrued Liability

Unfunded Accrued Liability		
Total value of liabilities	1,402,477	1,202,675
Value of assets	-	-
Unfunded accrued liability	1,402,477	1,202,675

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Current-Service, Interest Costs and Actuarial Loss/(Gains)

The summary of the Current-service Cost and the Interest Cost for the current and next financial years, is reflected below. The actuarial loss/(gains) arise from three components: the effects of changes in net discount rates, membership and salaries.

Current-Service, Interest Costs and Actuarial Loss/(Gains)	153,985	133,987
Current service cost	100,952	78,550
Interest cost	5,156	63,882
Actuarial Loss/(Gains)		

Notes:

- (i) The Current-service Cost reflects the additional liability that is expected to accrue in respect of in-service members' service over the corresponding year.
- (ii) The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit vestings, over the corresponding year. This arises because all future LSA benefits are one year closer to payment.

33. Financial instruments disclosure

Fair Value:

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and bank balances:

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 13. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Consumer debtors	-	4,305,789	4,305,789
Cash and cash equivalents	111,730,796	-	111,730,796
Trade and other receivables from exchange transactions	2,156,102	-	2,156,102
	113,886,898	4,305,789	118,192,687

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Financial instruments disclosure (continued)

In accordance with GRAP 104.3 the financial assets of the municipality were classified as above.

Financial liabilities

	At fair value	At amortised cost	Total
Trade payables	5,629,846	-	5,629,846
Income received in advance	-	313,044	313,044
Accrued leave	-	2,956,739	2,956,739
Salary (13th cheque)	-	388,411	388,411
Payable (CoGTA)	3,798	-	3,798
	5,633,644	3,658,194	9,291,838

2016

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	4,858,561	-	4,858,561
Consumer debtors	-	2,802,971	2,802,971
Cash and cash equivalents	109,379,701	-	109,379,701
	114,238,262	2,802,971	117,041,233

Financial liabilities

	At fair value	At amortised cost	Total
Trade payables	9,769,480	-	9,769,480
Income received in advance	-	47,738	47,738
Accrued leave	-	3,111,194	3,111,194
Salary (13th cheque)	-	1,007,481	1,007,481
Payable (CoGTA)	1,924,171	-	1,924,171
Payable (INEP)	461,284	-	461,284
	12,154,935	4,166,413	16,321,348

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34. Risk management

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

	2017	2016
Financial instrument	4,305,789	2,802,971
Consumer Debtors	111,730,796	109,379,701
Cash and cash equivalent	2,156,102	4,858,561
Trade and other receivables from exchange transactions		

Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

As the municipality has interest-bearing assets, the municipality's income and operating cash flows are dependent of changes in market interest rates.

35. Repairs and maintenance

Community assets	1,006,148	1,037,927
Buildings	1,504,872	612,405
Vehicles	1,218,689	1,471,574
Roads	-	490,152
Other Assets	450,808	284,092
	4,180,517	3,896,150

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36. Operating lease commitments (lessor)

Within 1 year	262,581	326,253
Between 2 to 5 years	430,845	693,426
	693,426	1,019,679

Rental income represents rentals received by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 to 5 years with fixed escalations per annum.

37. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. Deviations totalled R10 301 460 for the financial year ended 30 June 2017.

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Appendix B (Unaudited Supplementary Schedules)

Analysis of property, plant and equipment as at 30 June 2017
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Newly identified Assets at fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	150,000	-	-	-	-	-	150,000	-	-	-	-	-	-	150,000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,860,606
Work-in-progress (Buildings)	-	1,860,606	-	-	-	-	1,860,606	-	-	-	-	-	(4,716,784)	9,121,683
Office Buildings	13,938,467	-	-	-	-	-	13,938,467	(4,140,676)	-	-	(576,108)	-	(4,716,784)	11,132,289
	13,988,467	1,860,606	-	-	-	-	15,849,073	(4,140,676)	-	-	(576,108)	-	(4,716,784)	11,132,289
Infrastructure														
Roads, Pavements & Bridges	119,069,979	-	-	14,163,396	-	-	133,233,375	(41,691,611)	-	-	(8,864,487)	(497,936)	(51,054,034)	82,179,341
Solid Waste	68,427	-	-	-	-	-	68,427	(30,672)	-	-	(6,117)	-	(36,789)	31,638
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work-in-progress (Infrastructure)	40,421,123	21,010,969	-	(14,163,396)	-	-	47,268,696	-	-	-	-	-	-	47,268,696
Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electrification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	159,559,529	21,010,969	-	-	-	-	180,570,498	(41,722,283)	-	-	(8,870,604)	(497,936)	(51,090,823)	129,479,675
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community buildings	73,278,130	-	(51,284)	13,438,826	-	-	86,665,672	(20,531,316)	31,133	-	(3,516,547)	(1,558,912)	(25,575,642)	61,090,030
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	21,465,783	10,859,170	-	(13,438,826)	-	-	18,886,127	-	-	-	-	-	-	18,886,127
Work-in-progress (Community)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	94,743,913	10,859,170	(51,284)	-	-	-	105,551,799	(20,531,316)	31,133	-	(3,516,547)	(1,558,912)	(25,575,642)	79,976,157

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Analysis of property, plant and equipment as at 30 June 2017
Accumulated depreciation

Cost/Revaluation															Accumulated depreciation														
Opening Balance Rand		Additions Rand		Disposals Rand		Transfers Rand		Newly Identified Assets at fair value Rand		Other changes, movements Rand		Closing Balance Rand		Opening Balance Rand		Disposals Rand		Transfers Rand		Depreciation Rand		Impairment loss Rand		Closing Balance Rand		Carrying value Rand			
Heritage assets																													
Buildings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Specialised vehicles																													
Refuse		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Fire		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Conservancy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Ambulances		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Buses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other assets																													
Transport Assets		9,051,808	5,620,560	-	-	-	-	-	-	-	-	14,672,358	(1,948,619)	-	-	(1,379,892)	-	-	-	-	-	-	-	-	(3,328,511)	11,343,847			
Machinery & equipment		10,292,311	1,739,426	-	-	-	-	-	-	-	-	12,031,737	(3,210,383)	-	-	(706,405)	(370)	-	-	-	-	-	-	-	(3,917,158)	8,114,579			
Computer Equipment		2,221,567	974,448	-	-	-	-	-	-	-	-	3,196,015	(1,322,438)	-	-	(330,072)	-	-	-	-	-	-	-	-	(1,652,510)	1,543,505			
Computer Software (part of computer equipment)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Furniture and Office equipment		2,699,063	374,211	-	-	-	-	-	-	-	-	3,073,274	(1,795,840)	-	-	(259,038)	(3,080)	-	-	-	-	-	-	-	(2,057,958)	1,015,316			
Office Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Office Equipment - Leased		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Abattoirs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Markets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Airports		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Security measures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Civic land and buildings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other buildings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other land		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Bins and Containers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Work in progress		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other Assets - Leased		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Housing development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
24,264,749		8,708,635										32,973,384		(8,277,280)		(2,675,407)		(3,450)		(10,956,137)		22,017,247							

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Analysis of property, plant and equipment as at 30 June 2017
Accumulated depreciation

Cost/Revaluation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Newly Identified Assets at fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	13,988,467	1,860,606	-	-	-	-	15,849,073	(4,140,676)	-	-	(576,108)	-	(4,716,784)	11,132,289
Infrastructure	159,559,529	21,010,969	-	-	-	-	180,570,498	(41,722,283)	-	-	(8,870,604)	(497,936)	(51,090,823)	129,479,675
Community Assets	94,743,913	10,859,170	(51,284)	-	-	-	105,551,799	(20,531,316)	31,133	-	(3,516,547)	(1,558,912)	(25,575,642)	79,976,157
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	(2,675,407)	-	(2,675,407)	-
Other assets	24,264,749	8,708,635	-	-	-	-	32,973,384	(8,277,280)	-	-	(2,675,407)	(3,450)	(10,956,137)	22,017,247
	292,556,658	42,439,380	(51,284)	-	-	-	334,944,754	(74,671,556)	31,133	-	(15,638,666)	(2,060,298)	(92,339,386)	242,605,368
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	229,072	850,153	-	-	-	-	1,079,225	(212,608)	-	-	(103,904)	-	(316,512)	762,713
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	229,072	850,153	-	-	-	-	1,079,225	(212,608)	-	-	(103,904)	-	(316,512)	762,713
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	13,988,467	1,860,606	-	-	-	-	15,849,073	(4,140,676)	-	-	(576,108)	-	(4,716,784)	11,132,289
Infrastructure	159,559,529	21,010,969	-	-	-	-	180,570,498	(41,722,283)	-	-	(8,870,604)	(497,936)	(51,090,823)	129,479,675
Community Assets	94,743,913	10,859,170	(51,284)	-	-	-	105,551,799	(20,531,316)	31,133	-	(3,516,547)	(1,558,912)	(25,575,642)	79,976,157
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	24,264,749	8,708,635	-	-	-	-	32,973,384	(8,277,280)	-	-	(2,675,407)	(3,450)	(10,956,137)	22,017,247
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	229,072	850,153	-	-	-	-	1,079,225	(212,608)	-	-	(103,904)	-	(316,512)	762,713
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	292,785,730	43,289,533	(51,284)	-	-	-	336,023,979	(74,884,163)	31,133	-	(15,742,570)	(2,060,298)	(92,655,898)	243,368,081

Ndwedwe Local Municipality
Ndwedwe Local Municipality
Appendix B (Unaudited Supplementary Schedules)

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation
Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Newly identified assets at fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	150,000	-	-	-	-	-	150,000	-	-	-	-	-	-	150,000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	13,838,467	-	-	-	-	-	13,838,467	(3,357,015)	-	-	(638,265)	(145,396)	(4,140,676)	9,697,791
Buildings (Separate for AFS purposes)	13,988,467	-	-	-	-	-	13,988,467	(3,357,015)	-	-	(638,265)	(145,396)	(4,140,676)	9,847,791
Infrastructure														
Roads, Pavements & Bridges	97,290,946	-	-	21,779,033	-	-	119,069,979	(31,462,335)	-	(899,646)	(8,958,167)	(371,463)	(41,691,611)	77,378,368
Solid Waste Disposal	68,427	-	-	-	-	-	68,427	(24,367)	-	-	(6,305)	-	(30,672)	37,755
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WiFi infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W.I.P	75,216,900	42,742,147	-	(25,692,304)	-	(30,379,837)	61,886,906	-	-	-	-	-	-	61,886,906
	172,576,273	42,742,147	-	(3,913,271)	-	(30,379,837)	181,025,312	(31,486,702)	-	(899,646)	(8,964,472)	(371,463)	(41,722,283)	139,303,029
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community buildings	69,417,169	-	(52,310)	3,913,271	-	-	73,278,130	(16,918,908)	21,832	-	(3,283,219)	(351,021)	(20,531,316)	52,746,814
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	69,417,169	-	(52,310)	3,913,271	-	-	73,278,130	(16,918,908)	21,832	-	(3,283,219)	(351,021)	(20,531,316)	52,746,814

**Ndwedwe Local Municipality
Ndwedwe Local Municipality
Appendix B (Unaudited Supplementary
Schedules)**

**Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation**

Analysis of property, plant and equipment																						
Cost/Revaluation																						
Accumulated depreciation																						
	Opening Balance Rand	Additions		Disposals		Transfers		Newly identified assets at fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand		Disposals		Transfers		Depreciation		Impairment loss		Closing Balance Rand	Carrying value Rand
		Rand		Rand		Rand					Rand		Rand		Rand		Rand		Rand			
Heritage assets																						
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles																						
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets																						
General vehicles	9,742,058	2,134,151	(2,824,401)	-	-	-	9,051,808	(2,765,321)	2,182,722	-	(1,366,020)	-	(1,948,619)	7,103,189								
Machinery and equipment	10,193,761	136,338	(37,788)	-	-	-	10,292,311	(2,586,837)	33,383	-	(653,348)	(3,581)	(3,210,383)	7,081,928								
Computer Equipment	1,918,039	442,839	(139,311)	-	-	-	2,221,567	(1,164,939)	127,720	-	(265,219)	-	(1,322,438)	899,129								
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and office equipment	2,595,298	109,920	(6,155)	-	-	-	2,699,063	(1,502,788)	4,498	-	(295,310)	(2,240)	(1,795,840)	903,223								
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	24,449,156	2,823,248	(3,007,655)	-	-	-	24,264,749	(8,039,885)	2,348,323	-	(2,579,897)	(5,821)	(8,277,280)	15,987,469								

**Ndwedwe Local Municipality
Ndwedwe Local Municipality
Appendix B (Unaudited Supplementary
Schedules)**

Analysis of property, plant and equipment as at 30 June 2016
Cost/Revaluation

Analysis of Property, Plant and Equipment													
Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Newly identified assets at fair value Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment													
13,988,467	-	-	-	-	-	13,988,467	(3,357,015)	-	-	-	(145,396)	(4,140,676)	9,847,791
172,576,273	42,742,147	-	(3,913,271)	-	(30,379,837)	181,025,312	(31,486,702)	-	(899,646)	(8,964,472)	(371,463)	(41,722,283)	139,303,029
69,417,169	-	(52,310)	3,913,271	-	-	73,278,130	(16,918,908)	21,832	-	(3,283,219)	(351,021)	(20,531,316)	52,746,814
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
24,449,156	2,823,248	(3,007,655)	-	-	-	24,264,749	(8,039,885)	2,348,323	-	(2,579,897)	(5,821)	(8,277,280)	15,987,469
280,431,065	45,565,395	(3,059,965)	-	-	(30,379,837)	292,556,658	(59,802,510)	2,370,155	(899,646)	(15,465,853)	(873,701)	(74,671,565)	217,885,103
Agricultural/Biological assets													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets													
229,072	-	-	-	-	-	229,072	(204,360)	-	-	(8,247)	-	(212,607)	16,465
-	-	-	-	-	-	-	-	-	-	-	-	-	-
229,072	-	-	-	-	-	229,072	(204,360)	-	-	(8,247)	-	(212,607)	16,465
Investment properties													
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total													
13,988,467	-	-	-	-	-	13,988,467	(3,357,015)	-	-	(638,265)	(145,396)	(4,140,676)	9,847,791
172,576,273	42,742,147	-	(3,913,271)	-	(30,379,837)	181,025,312	(31,486,702)	-	(899,646)	(8,964,472)	(371,463)	(41,722,283)	139,303,029
69,417,169	-	(52,310)	3,913,271	-	-	73,278,130	(16,918,908)	21,832	-	(3,283,219)	(351,021)	(20,531,316)	52,746,814
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
24,449,156	2,823,248	(3,007,655)	-	-	-	24,264,749	(8,039,885)	2,348,323	-	(2,579,897)	(5,821)	(8,277,280)	15,987,469
-	-	-	-	-	-	-	-	-	-	-	-	-	-
229,072	-	-	-	-	-	229,072	(204,360)	-	-	(8,247)	-	(212,607)	16,465
-	-	-	-	-	-	-	-	-	-	-	-	-	-
280,660,137	45,565,395	(3,059,965)	-	-	(30,379,837)	292,785,730	(60,006,870)	2,370,155	(899,646)	(15,474,100)	(873,701)	(74,884,162)	217,901,568

